

**REPORT OF THE AUDIT OF THE
POWELL COUNTY
SHERIFF**

**For The Year Ended
December 31, 2008**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE POWELL COUNTY SHERIFF

**For The Year Ended
December 31, 2008**

The Auditor of Public Accounts has completed the Powell County Sheriff's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$2,572 from the prior year, resulting in excess fees of \$2,628 as of December 31, 2008. Revenues increased by \$36,478 from the prior year and expenditures increased by \$33,906.

Debt Obligations:

Capital lease principal agreements totaled \$62,369 as of December 31, 2008.

Report Comments:

- 2008-01 The Sheriff Should Batch Receipts, Post Amounts To The Ledger, And Make Deposits On A Daily Basis
- 2008-02 The Sheriff Should Only Expend Funds For Allowable Purposes
- 2008-03 The Sheriff Overspent His Maximum Salary Limitation Set By The Fiscal Court For His Deputies Per KRS 64.530
- 2008-04 The Sheriff's Office Lacks Segregation of Duties
- 2008-05 The Sheriff's Office Lacks Effective Controls And Oversight Over The Payroll Process
- 2008-06 The Sheriff's Office Lacks Sufficient Controls Over Fuel Purchases

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Darren Farmer, Powell County Judge/Executive
The Honorable Danny Rogers, Powell County Sheriff
Members of the Powell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Powell County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 8, 2009 on our consideration of the Powell County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Darren Farmer, Powell County Judge/Executive
The Honorable Danny Rogers, Powell County Sheriff
Members of the Powell County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2008-01 The Sheriff Should Batch Receipts, Post Amounts To The Ledger, And Make Deposits On A Daily Basis
- 2008-02 The Sheriff Should Only Expend Funds For Allowable Purposes
- 2008-03 The Sheriff Overspent His Maximum Salary Limitation Set By The Fiscal Court For His Deputies Per KRS 64.530
- 2008-04 The Sheriff's Office Lacks Segregation of Duties
- 2008-05 The Sheriff's Office Lacks Effective Controls And Oversight Over The Payroll Process
- 2008-06 The Sheriff's Office Lacks Sufficient Controls Over Fuel Purchases

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Powell County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen
Auditor of Public Accounts

July 8, 2009

POWELL COUNTY
DANNY ROGERS, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

Federal Grants		\$	2,900	
State Grants			987	
State - Kentucky Law Enforcement Foundation Program Fund			9,704	
State Fees For Services:				
Finance and Administration Cabinet	\$	48,068		
FAC- Transports		10,349		
Sheriff Security Service		<u>13,577</u>	71,994	
Circuit Court Clerk:				
Fines and Fees Collected			8,186	
Fiscal Court			15,695	
County Clerk - Delinquent Taxes			2,760	
Commission On Taxes Collected			110,120	
Telecommunications Tax			828	
Fees Collected For Services:				
Auto Inspections		2,484		
Accident and Police Reports		701		
Serving Papers		40,104		
Executions		440		
Carrying Concealed Deadly Weapon Permits		2,410		
Add-On Fees		27,593		
Crime Stoppers Receipts		100		
School Resource Fund		<u>49,204</u>	123,036	
Other:				
2nd Notice Advertising Fees		3,425		
Automobile Sales		1,150		
Insurance Claim Reimbursement		4,108		

The accompanying notes are an integral part of this financial statement.

POWELL COUNTY
DANNY ROGERS, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2008
(Continued)

Revenues (Continued)

Other: (Continued)

Payroll Reimbursement	\$	1,623	
Miscellaneous		<u>2,683</u>	\$ 12,989

Interest Earned			763
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Borrowed Money:

State Advancement			<u>25,000</u>
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Total Revenues			<u>384,962</u>
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Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	93,511
School Resource Officers	42,665
Overtime	18,989
KLEFPF	8,179

Contracted Services-

Advertising	1,278
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Materials and Supplies-

Office Materials and Supplies	4,322
Uniforms	5,086

Auto Expense-

Gasoline	39,340
Maintenance and Repairs	10,352

Other Charges-

Fiscal Court Fees	4,754
Transports	3,786
Jury Sequester	104
Training	920
Dry Cleaning	170
Dues	352
School Resource Expenditures	6,539
Crime Stoppers Expenditures	100
Postage	648
Bond	330

The accompanying notes are an integral part of this financial statement.

POWELL COUNTY
DANNY ROGERS, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2008
(Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Other Charges- (Continued)

Carrying Concealed Deadly Weapon Permits	\$	790	
Miscellaneous		<u>4,236</u>	\$ 246,451

Capital Outlay-

Office Equipment			7,019
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Debt Service:

State Advancement		25,000	
Leases		<u>35,377</u>	<u>60,377</u>

Total Expenditures			313,847
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Less: Disallowed Expenditures

2009 Supplies Purchased With 2008 Funds		<u>934</u>	
		<u>1,075</u>	<u>2,009</u>

Total Allowable Expenditures			<u>311,838</u>
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Net Revenues			73,124
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Less: Statutory Maximum

<u>70,496</u>

Balance Due Fiscal Court			<u><u>\$ 2,628</u></u>
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The accompanying notes are an integral part of this financial statement.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Powell County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Powell County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 4. Leases

Item Purchased	Monthly Payment	Term of Agreement	Ending Date	Principal Balance December 31, 2008
Xerox Copier	98	48	2/26/2011	\$ 2,554
Chevrolet Impala	360	48	4/15/2011	8,972
3 - Dodge Chargers	1,999	40	12/13/2010	29,551
Dodge Nitro	398	72	12/31/2012	14,085
Dodge Durango	457	24	11/10/2010	7,207
				<u>\$ 62,369</u>

Note 5. School Resource Officer Fund

The Powell County Sheriff maintained a separate bank account for monies received from the Powell County Board of Education for school resource officers. Upon the expiration of the COPS-In-School grant, the Powell County Board of Education entered into an agreement with the Powell County Sheriff's Department for the school resource officers to remain in the county schools. The prior year ending balance at December 31, 2007 was \$12,518. Receipts from the Powell County Board of Education for the year were \$49,062, interest earned was \$142, and expenditures totaled \$58,390. The balance as of December 31, 2008 was \$3,332.

Note 6. Crime Stoppers In Schools

Crime Stoppers in Schools is a school-supported program to decrease crime and increase pride within the school and local community by rewarding valid sharing of information regarding criminal activity. The Powell County Sheriff's Department, Powell County Schools, and Whitaker Bank of Powell County sponsor the program. The beginning balance was \$295. Expenditures during the year totaled \$100. The balance as of December 31, 2008 was \$195.

Note 7. United States Forestry Grant

The Powell County Sheriff received \$2,900 from the United States Forestry for patrolling. This was a reimbursement for payroll of officers patrolling the Daniel Boone National Forest.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 8. Highway Safety Grant

The Powell County Sheriff's Office received \$987 from Kentucky Department of Highway Safety to reimburse for overtime expenses incurred while participating in the statewide law enforcement mobilization.

Note 9. Special Account

The Powell County Sheriff's Office received a \$1,000 donation from United American Energy (UAE) to be used to cover equipment, insurance, training, facility maintenance, or other expenses the department may incur as part of their duties. The balance as of December 31, 2008 was \$46.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Darren Farmer, Powell County Judge/Executive
The Honorable Danny Rogers, Powell County Sheriff
Members of the Powell County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Powell County Sheriff for the year ended December 31, 2008, and have issued our report thereon dated July 8, 2009. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Powell County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations, as items 2008-04, 2008-05, and 2008-06, to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Powell County Sheriff's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2008-01, 2008-02, and 2008-03.

The Powell County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Powell County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

July 8, 2009

COMMENTS AND RECOMMENDATIONS

POWELL COUNTY
DANNY ROGERS, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2008

STATE LAWS AND REGULATIONS:

2008-01 The Sheriff Should Batch Receipts, Post Amounts To The Ledger, And Make Deposits On A Daily Basis

During the course of our audit, we noted that receipts were not batched, posted to the ledger, or deposited on a daily basis. On July 2, 2008, the daily checkout sheet included approximately one hundred twenty (120) receipts, with some of the receipts dating back to June 25, 2008. Further review of the July ledger identified that amounts are only posted on the day deposits are made. In total, the ledger only contained nine (9) rows of entries, from six (6) different days. Furthermore, KRS 68.210 requires the Sheriff to make daily deposits into a federally insured banking institution. We noted during the month of July, only eight (8) deposits were made on four (4) separate days in the amount of \$17,854. We recommend that the Sheriff batch receipts, post amounts onto the ledger, and make deposits on a daily basis.

Sheriff's Response: The Sheriff will make efforts to ensure that deposits are made daily.

2008-02 The Sheriff Should Only Expend Funds For Allowable Purposes

During our review of expenditures, we noted that on December 23, 2008, the Sheriff purchased seventeen (17) cash gift cards totaling \$934. The Sheriff stated that the intended use of the gift cards was a uniform dry cleaning allowance for the deputies. Since these gifts cards are not traceable and no further support existed to document how deputies utilized these gift cards, the purchase of the cash gift cards will be disallowed per Technical Audit Bulletin 93-001 (TAB 93-001). TAB 93-001, section three (3), subsection thirteen (13), states that expenditures without proper and accurate documentation shall be disallowed. We recommend that the Sheriff reimburse the 2008 Fee account \$934 from his personal funds for these disallowed expenditures, reverting this amount to the fiscal court as excess fees. Furthermore, we recommend that the Sheriff eliminate the use of gift cards and adopt a formal reimbursement policy in order to reimburse employees for purchases associated with the office.

Sheriff's Response: Sheriff states that the \$934 that was a donation from a company (copy attached) should be paid to the Special Account because the funds did not originate from the Powell County Fiscal Court or the 2008 Fee Account. Sheriff is in the process of preparing a Reimbursement Policy.

POWELL COUNTY
DANNY ROGERS, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2008-02 The Sheriff Should Only Expend Funds For Allowable Purposes (Continued)

Auditor's Response: The Powell County Sheriff was improperly managing the Special Account, and associated donated funds, by utilizing the account as a revolving expense account. During our review, we noted that the Powell County Sheriff disbursed funds from the Special Account only to reimburse those expenditures with money from the 2008 fee account. From July to November in 2008, the Special Account bank statements identified \$1,140 of disbursements, which exhausted the entire \$1,000 donation originally provided. Further review identified on December 22, 2008, the Sheriff reimbursed the Special Account \$880 from the 2008 Fee Account, only to purchase the 17 gift cards the following day. Although the gift cards were purchased from the Special Account, they were acquired through the use of the 2008 Fee Account funds, and subsequently should be reimbursed to the Fiscal Court as excess fees.

2008-03 The Sheriff Overspent His Maximum Salary Limitation Set By The Fiscal Court For His Deputies Per KRS 64.530

During our audit, it was noted that the Powell County Sheriff overspent his maximum salary limitation as approved by the Fiscal Court by \$52,665. This was due to confusion in determining which amounts were incorporated in the approved maximum salary limitation, particularly part-time salaries which were not identified. KRS 64.530 subsection (3) states "the fiscal court shall fix annually the maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation of each deputy and assistant". We recommend that the Powell County Sheriff's Office comply with KRS 64.530 and not over expend the maximum salary limitation as set by the Fiscal Court, or request a budget amendment from the Fiscal Court if it appears that the amount approved won't cover salaries paid. Furthermore, we recommend that the Sheriff, when setting the Deputies Salary Limit with the Fiscal Court, be more specific in the wording, in order for there to be no confusion on what the limit includes and does not include. The maximum salary limit should include all salaries paid (KLEFPF, Full-Time, Part-Time, School Resource Fund, etc.) as to limit the possibility of any confusion.

Sheriff's Response: Sheriff will amend budget for salaries if needed.

POWELL COUNTY
 DANNY ROGERS, SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2008
 (Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

2008-04 The Sheriff's Office Lacks Segregation of Duties

The Sheriff's office lacks adequate segregation of duties for receipts and disbursements. The bookkeeper collects receipts, records transactions, issues checks, and posts amounts to the receipts and disbursements ledgers. Good internal controls dictate the same employee should not handle and record receipts and disbursements. The Sheriff should either segregate these duties or perform the following compensating controls to help offset this weakness. If the Sheriff performs these compensating controls, he should initial the supporting documentation reviewed.

- Agree daily deposits to the daily checkout sheet and the receipts ledger.
- Agree quarterly financial reports to the receipts and disbursements ledger.
- Review monthly bank reconciliations
- Compare the bank reconciliation to the balance in the checkbook
- Compare invoices to payments
- Perform surprise cash counts of receipts

Sheriff's Response: Sheriff states that he will work on.

2008-05 The Sheriff's Office Lacks Effective Controls And Oversight Over The Payroll Process

During the course of our audit, we noted that the Powell County Sheriff's payroll process lacked adequate controls and oversight. Our review identified the following deficiencies:

- Inconsistencies were noted between the W2 information and the provided year-end payroll support in regards to the local tax withheld.
- Ineffective monitoring of employee sick and vacation leave balances were noted. Inquiry with personnel identified that leave balances are generally maintained manually, however, balances were not readily available for review during our testing period.
- Retirement deductions for one (1) employee were note withheld for eight (8) months following the full-time employment effective date.
- Overtime was inappropriately paid for Employees for work completed less than 40 Hours per Week. 803 KAR 1:060 section (1) states, "If no more than forty (40) hours are actually worked in the workweek, overtime compensation pursuant to KRS 337.285 need not be paid.

We recommend that the Powell County Sheriff's Office improve controls over the payroll process, ensuring that employees are compensated with regards to applicable state laws and regulations. The Sheriff should ensure that W2's are accurately prepared, sick and vacation time is properly accounted for, employee retirement contributions are properly withheld, and overtime is only paid for work completed in excess of forty (40) hours in a given work week.

Sheriff's Response: Sheriff states that payroll is handled by the Judge Executive Office and will work with County Treasurer and Payroll Clerk to overcome any problems.

POWELL COUNTY
DANNY ROGERS, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:
(Continued)

2008-06 The Sheriff's Office Lacks Sufficient Controls Over Fuel Purchases

During our test of expenditures, we noted weak controls were in place to monitor the Sheriff's Office fuel purchases. The current process involves local gas station attendants filling out receipt tickets for deputies as they purchase fuel. At the end of each month the gas station sends an invoice with each individual receipt as support to the Sheriff's office for payment. We noted that the receipt tickets do not identify the vehicle the gas was purchased for, the amount of fuel purchased, or the price per gallon. Furthermore, receipts obtained by the deputies following the gas purchase are not maintained by the Sheriff, and reconciled to the monthly invoice provided by the local gas stations. We recommend that the Sheriff strengthen controls over fuel purchases by conducting the following:

- All receipts for gas purchases should identify the deputy, the vehicle the fuel was purchased for, the amount of fuel purchased, and the cost per gallon
- A copy of each receipt should be received by the deputy and maintained by the Sheriff
- The monthly fuel invoices should be reconciled to the receipts maintained by the Sheriff

Sheriff's Response: Sheriff is looking into the Fleet Plan for fuel purchases.

